

Message Text

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PAGE 01 BELGRA 01391 01 OF 02 211820Z
ACTION EUR-03

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R 211440Z FEB 78
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 4307

C O N F I D E N T I A L SECTION 1 OF 2 BELGRADE 1391

FOR EUR/EE ONLY - 3 COPIES ONLY

FOR ANDREWS FROM WORTZEL

E.O. 11652: GDS
TAGS: OGEN
SUBJ: OFFICIAL INFORMAL

1. WE ARE, AS YOU KNOW, IN THE MIDST OF EXIM, KRSKO, MAP
AND WHATEVER ELSE STREWS THE PATH TO THE TITO VISIT. WHAT MAY
NOT COME OUT IN OUR FRONT-CHANNEL MESSAGES ON THESE SUBJECTS IS
OUR RECOGNITION OF HOW MUCH YOU TYPES HAVE DONE TO KEEP US IN
THE BALL PARK AND TO KEEP THINGS MOVING. WE ESPECIALLY
APPRECIATE YOUR EXTRACTING WHAT SEEMS A GOOD MAP RESPONSE FROM
L. IT CAME IN THE NICK OF TIME.

2. WE TRUST THAT BELOVSKI HAS COOLED DOWN BY NOW AFTER
HIS OUTBURST TO GEORGE VEST ON HUMAN RIGHTS. FOR WHAT
IT IS WORTH, THE SUBJECT WAS SIMPLY NOT MENTIONED TO US.

3. WE TRUST THAT OUR 1236 ON SHIP VISITS WAS CLEAR. WE
KNOW FROM NICK THAT YOU FELT, EXACTLY AS WE DID, THAT FLIGHT
OPERATIONS IN MID-MARCH COULD BE DISASTROUS. WE TRUST THAT
WE WILL ALL BE ABLE TO LOOK AT THE QUESTION OF JUNE
FLIGHT OPERATIONS LATER ON."

4. WE HAVE REVIEWED YOUR BACKGROUND PAPER ON YUGOSLAV
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ECONOMY AND WOULD MAKE THE FOLLOWING SUGGESTIONS:

(A) PAGE ONE: REPLACE FIRST SENTENCE WITH THE FOLLOWING:
QUOTE SINCE THE 1950'S THE SOCIALIST ECONOMY OF
YUGOSLAVIA HAS BEEN UNDERGOING A TRANSFORMATION THAT CAN
BE CHARACTERIZED AS BOTH INDUSTRIALIZATION AND INDEPENDENCE
FROM THE STATE-CONTROLLED ECONOMIES OF ITS EASTERN

NEIGHBORS. UNQUOTE.

(B) PAGE ONE, PARA ON OECD TRADE: QUOTE...AND IT RECEIVED
57 PERCENT OF ITS IMPORTS FROM THEM. UNQUOTE

(C) PAGE TWO: REPLACE SIXTH PARA WITH THE FOLLOWING: QUOTE
TWO-WAY TRADE REACHED ALMOST US DOLS 700 LAST YEAR AND THE
UNITED STATES WAS YUGOSLAVIA'S FOURTH LARGEST TRADING
PARTNER (AFTER THE USSR, WEST GERMANY AND ITALY).
YUGOSLAV IMPORTS TO THE U.S. RECEIVE EITHER MOST-FAVORED-
NATION (MFN) OR PREFERENTIAL (GENERALIZED SYSTEM OF
PREFERENCES-GSP) TARIFF TREATMENT. UNQUOTE.

(D) PAGE TWO: REPLACE SEVENTH PARA WITH THE FOLLOWING:
QUOTE THERE ARE CLOSE TO TWENTY JOINT VENTURES BETWEEN
AMERICAN AND YUGOSLAV FIRMS, WITH ANOTHER HALF DOZEN CURRENTLY
UNDER NEGOTIATION. THE LARGEST AND MOST SIGNIFICANT JOINT
VENTURE IS THE ONE RECENTLY CONCLUDED BETWEEN DOW
CHEMICAL AND A YUGOSLAV OIL COMPANY (INA) TO CONSTRUCT
A US DOLS 700-800 MILLION PETROCHEMICAL COMPLEX NEAR
THE PART OF RIJEKA. UNQUOTE.

(E) PAGE THREE: MIDDLE PARA: QUOTE.... AND IN 1977
TRADE WITH CEMA COUNTRIES ROSE TO OVER 33 PERCENT...UNQUOTE.

(F) PAGE THREE: MIDDLE PARA: REPLACE SENTENCE ON
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YKSOSLAVIA'FQSTATUS IN CEMA WITH THE FOLLOWING: QUOTE SINCE
THE 1960'S YUGOSLAVIA HAS HAD QUOTE LIMITED PARTICIPANT UNQUOTE
STATUS IN CEMA (THE ONLY COUNTRY IN THIS CATEGORY) AND HAS
PARTICIPATED SELECTIVELY IN VARIOUS CEMA COMMITTEES AND
PROJECTS. UNQUOTE.

(G) PAGE THREE: MIDDLE PARA: DELETE LAST SENTENCE. INSERT
THE FOLLOWING: QUOTE NEVERTHELESS, YUGOSLAV-SOVIET TRADE
GREW TO MORE THAN US DOLS 2.5 BILLION IN 1977, AND A FURTHER
TEN PERCENT INCREASE IS PROJECTED FOR THIS YEAR. UNQUOTE.

(H) PAGE THREE: LAST PARA: QUOTE ALTHOUGH PER CAPITAL INCOME
IN YUGOSLAVIA AVERAGES OUT TO MORE THAN US DOLS 1,800...
SLOVENIA ENJOYS A PER CAPITA INCOME SEVEN TIMES THAT OF
THE BACKWARD....UNQUOTE.

(I) PARA FOUR: FIRST PARA: REPLACE FIRST SENTENCE WITH THE
FOLLOWING: QUOTE...OF THIS PROGRAM HAS BEEN A CAMPAIGN
(TO DATE UNSUCCESSFUL) TO ATTRACT BOTH FOREIGN AND DOMESTIC
INVESTMENT IN THE POORER...UNQUOTE.

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C O N F I D E N T I A L SECTION 2 OF 2 BELGRADE 1391

(J) PAGE FOUR: SECOND FULL PARA: REPLACE FIRST SENTENCE
WITH THE FOLLOWING: "IN 1977 YUGOSLAVIA EMPHASIZED GROWTH
IN ITS ECONOMIC POLICIES AND ACHIEVED A 9.4 PERCENT
INCREASE IN INDUSTRIAL PRODUCTION AND A 7 TO 8 PERCENT
INCREASE IN GNP. PART OF THE PRICE OF THIS GROWTH, HOWEVER, WAS
THE LARGEST TRADE AND CURRENT ACCOUNT DEFICITS IN HISTORY--
US DOLS 4.3 BILLION AND AN ESTIMATED US DOLS 1.75 MILLION,
RESPECTIVELY. UNQUOTE

(K) PAGE FOUR: SECOND FULL PARA: QUOTE...SINCE NEARLY US DOLS
2 BILLION FLOWS BACK TO YUGOSLAVIA ANNUALLY FROM THESE
WORKERS.UNQUOTE

(L) PAGE FOUR: LAST PARA: QUOTE... FOREIGN EXCHANGE HOLDINGS
(ESTIMATED AT US DOLS 2.9 BILLION AT YEAR-END 1977,
INCLUDING BOTH OFFICIAL AND UNOFFICIAL RESERVES)... UNQUOTE.

(M) PAGE FIVE: REPLACE SENTENCE BEGINNING QUOTE THESE
CONCERNS UNQUOTE WITH THE FOLLOWING: QUOTE THESE CONCERNS
HAVE ALSO BEEN EXPRESSED BY U.S. OFFICIALS IN OTH
WASHINGTON AND BELGRADE UNQUOTE.

5. APPRECIATE MATERIALS ON DEVELOPMENT IN U.S. WHICH
EVANS HAS FORWARDED TO IVP GRANTEE SEKIC. AS WE HAVE NOTED,
HE APPEARS TO BE AN EXCELLENT CHOICE AND WE HOPE HIS VISIT
GOES WELL.

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6. WE WILL HAVE WORD FOR YOU RE TERRY CATHERMAN'S EXTENSION IN

A DAY OR SO.

7. THE AMBASSADOR--WHO IS STILL NOT ACTING LIKE A CAREER MINISTER--IS THINKING IN TERMS OF INVADING WASHINGTON ABOUT MARCH 1. HE APPLAUDS YOUR BOYS' DECISION TO TAKE LEAVE WHILE HE IS THERE, SINCE THAT WILL GIVE HIM A DESK TO SIT AT WHICH IS NOT BURIED BEHIND A ROW OF FILING CABINETS.

8. TO HELP WHILE AWAY HIS TIME BETWEEN HIS ARRIVAL AND TITO'S, THE AMBASSADOR WOULD LIKE TO SEE ADMIRAL HOLLOWAY AND DAVID MCGIFFERT AT DOD, MOORE AND ALBRIGHT AT EXIM, JOHN REINHARDT AND/OR CHARLIE BRAY AT ICA, LES GELB AND ANYONE ELSE IN THE DEPARTMENT WHOM YOU THINK HE SHOULD SEE, HENRY KISSINGER (PHONE JOCK COVEY AT 872-0300) AND BRENT SCOWCROFT (697-9225). DARRYL MAY WANT TO GET STARTED SETTING THESE UP.

9. MANY THANKS FOR PASSING THE MESSAGES CONCERNING MIRKOVIC. WOULD DARRYL PLEASE CONTACT SCOTTY RESTON TO FIND OUT WHEN HE PLANS TO BE HERE AND TO REITERATE THAT THE EAGLEBURGERS EXPECT HIM TO STAY AT THE RESIDENCE.

10. FROM DAVID EVANS FOR SAM FROMOWITZ: I WOULD GREATLY APPRECIATE YOUR CONTACTING MY WIFE (363-1229) ASAP WITH REGARD TO POSSIBLE VISIT OF MY SON TO BELGRADE IN MARCH. I HAVE MADE TENTATIVE ARRANGEMENTS WITH PAN AM HERE FOR HIS DEPARTURE FROM WASHINGTON MARCH 11 VIA PAN AM 66 ARRIVING BELGRADE MARCH 12, WITH RETURN ON MARCH 31 VIA PAN AM 67. ARRANGEMENTS ALSO MADE FOR HIS TRANSIT (CHANGE OF AIRCRAFT) IN FRANKFURT. BEFORE I PURCHASE TICKET, HOWEVER, I NEED CONFIRMATION BY END OF FEBRUARY THAT HIS SCHOOL IS CONFIDENTIAL

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AGREEABLE TO THIS TIME FRAME AND THAT HE STILL PLANS TO COME. THANKS.
EAGLEBURGER

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